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Fifty second session
Agenda item 124 (a)**Financing of the activities arising from Security Council
resolution 687 (1991): United Nations Iraq-Kuwait
Observation Mission****Report of the Advisory Committee on Administrative and Budgetary
Questions****Addendum**

1. The United Nations Iraq-Kuwait Observation Mission (UNIKOM) was established by the Security Council in accordance with its resolution 687 (1991) of 3 April 1991. In its resolution 689 (1991) of 9 April 1991, the Council decided to review the question of the termination or continuation of UNIKOM as well as its modalities of operation every six months. The most recent review by the Security Council was in October 1997, at which time it decided to review the question once again by 4 April 1998 (S/1997/773).

2. As indicated in paragraph 12 of the report of the Secretary-General containing the proposed budget of the Mission (A/52/824), the total resources made available to the Mission from its inception on 9 April 1991 to 30 June 1998 amount to \$461,326,945 gross (including voluntary contributions in cash of \$177,392,467 and a voluntary contribution in kind of \$1,820,545 provided by the Government of Kuwait). The total estimated expenditure for the same period amounts to \$404,418,678 gross.

3. The Advisory Committee notes from paragraph 13 of the report that \$227,812,743 had been assessed on Member States from the inception of the Mission to 30 April 1998, and that contributions received for the same period amounted

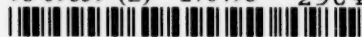
to \$212,364,124, leaving outstanding assessments of \$15,448,619 as at 31 January 1998. The Committee was informed that the cash balance totalled \$50.4 million as at 11 March 1998.

4. With regard to reimbursement of troop-contributing countries for troop costs, the Advisory Committee notes from paragraph 16 of the report that full reimbursement in accordance with the standard rates of reimbursement has been made for the period ending 31 May 1997. The Committee was informed that \$4.3 million had been paid up to 31 December 1996 in respect of contingent-owned equipment, and \$2.3 million is estimated to be owed as at 31 January 1998.

5. In connection with death and disability, the Advisory Committee was informed that \$837,000 had been paid in respect of two claims for the period from inception to 31 March 1998 and that two other claims had yet to be settled.

Overpayment of mission subsistence allowance

6. The Advisory Committee recalled that in paragraph 9 of its report (A/51/683/Add.1), it had indicated that based on information provided by the Secretariat, the total amount



to be recovered was estimated at \$988,443.50, consisting of \$647,041.50 from 143 staff members payrolled at Headquarters, \$72,067.50 from 19 staff separated from the Organization, \$148,154.50 from 34 staff serving at offices away from Headquarters and \$121,180 from military observers.

7. In its resolution 51/234 of 13 June 1997, the General Assembly requested the Secretary-General to continue his efforts to recover the overpayment of mission subsistence allowance and to report to it at its fifty-second session on the results of action taken for its recovery, including measures taken with respect to those responsible for the overpayment.

8. The Advisory Committee notes from paragraph 6 of document A/52/790 and Corr.1 that the total overpayment has been revised upwards from \$988,443.50 to \$6,312,201.53, as follows: \$624,191.50 to 137 staff members payrolled at Headquarters, \$148,154.50 to 34 staff serving at offices away from Headquarters, \$78,747.50 to 21 staff who had separated from the Organization and \$5,461,108.03 to 1,356 military observers. The bulk of the overpayment relates to military observers who were no longer serving with UNIKOM at the time of initial estimate.

9. The Advisory Committee was informed that the overpayment of mission subsistence allowance for civilian staff was detected by the internal auditors during their audit of UNIKOM in August 1993, whereas the amount of overpayment to military observers was established by the UNIKOM administration in August and September 1996. The Committee was also informed that the overpayment was made as a result of the erroneous application of mission subsistence allowance rules in regard to several components of mission subsistence allowance entitlement, for example, compensatory time off, the 1.5 day accrued mission subsistence allowance credit and weekends and holidays taken during leave. The Committee was further informed the payments were regularized by UNIKOM in respect of weekends and holidays starting 1 July 1993. However, misapplication of the mission subsistence allowance calculation for compensatory time off continued until 31 March 1996 because of disagreement by the Mission's administration with regard to the clarifications provided by the Field Administration and Logistics Division of the Department of Peacekeeping Operations and continuous exchange of correspondence between UNIKOM and Headquarters.

10. The Advisory Committee was further informed that the fact that military observers were also being overpaid had been established by UNIKOM administration in August and September 1996, once all the details of the mission

subsistence allowance policy had been fully clarified and the review of the mission subsistence allowance payments had been undertaken. The review established that military observers had been overpaid mission subsistence allowance since the inception of the mission in April 1991 in respect of the mission subsistence allowance entitlement during compensatory time off taken outside the mission area and the actual entitlement for compensatory time off days, as well as misapplication of the rule of the 1.5 day mission subsistence allowance credit. The Mission reverted to the correct application of mission subsistence allowance rules for military observers as from 1 October 1996.

11. The Advisory Committee also notes that of the estimated overpayment of \$6,312,201.53, the amount of \$3,504,802.75 relates to the period beginning 1 November 1993, the date on which the decision of the Government of Kuwait to defray two thirds of the cost of UNIKOM became effective.

12. Information on recovery of payments is included in paragraphs 9 to 16 of document A/52/790 and Corr.1. The Advisory Committee was informed that a total of \$796,152.18 had been recovered as at 28 February 1998 and that information on additional recovery would be included in further reports of the Secretary-General. The Committee understands that recovered funds are being held in escrow pending the outcome of legal proceedings.

13. The Advisory Committee notes from paragraph 12 of the report that three staff members have appealed the recovery of mission subsistence allowance to the United Nations Administrative Tribunal and that the administration is defending against the appeal.

14. With regard to the measures to be taken in connection with those responsible for the overpayment, the Advisory Committee notes from paragraph 18 of the report that a formal inquiry has been instituted in order to establish the circumstances of the overpayment and that any measures taken would be based on the conclusions of the inquiry.

15. The Advisory Committee notes from paragraph 19 of the report that in order to prevent a recurrence of the problem, a new administrative instruction defining the conditions governing mission subsistence allowance was issued on 20 October 1997 (ST/AI/1997/6). The new administrative instruction entered into force on 1 November 1997.

16. The Advisory Committee requests that a separate report be submitted to the General Assembly at its fifty-third session on developments related to the issue of overpayment

of mission subsistence allowance and compensatory time off; the Committee will revert to this matter at that time.

Financial performance for the period from 1 July 1996 to 30 June 1997

17. As indicated in paragraph 8 and annex I to the report of the Secretary-General containing the financial performance report of UNIKOM (A/52/790/Add.1 and Add.1/Corr.1), total expenditures for the period from 1 July 1996 to 30 June 1997 amounted to \$48,014,300 gross (\$46,318,300 net), compared with total resources of \$52,141,900 gross (\$50,071,000 net) made available to UNIKOM for the same period. The resulting unencumbered balance for the period amounts to \$4,127,600 gross (\$3,752,700 net). The recommendation of the Advisory Committee is provided in paragraph 23 below.

18. The total includes certain expenditures, amounting to \$537,385, pertaining to the prior financial period, ending 30 June 1996. The Advisory Committee regrets that the performance report does not contain any explanation of why this amount was not properly recorded in the financial period concerned. The Committee requests that future performance reports for peacekeeping operations provide complete explanations of the reasons for recording expenditures in accounts for subsequent budget periods.

19. The unencumbered balance of \$4,127,600 gross (\$3,752,700 net) resulted primarily from savings under military and civilian personnel costs, premises and accommodation; transport operations; air operations; supplies and services and mine-clearing programmes.

20. The Advisory Committee notes from paragraph 10 of the report that the savings were due primarily to lower than estimated requirements under mission subsistence allowance for military observers, lower cost for emplacement, rotation and repatriation of troops through charter arrangements and higher than projected vacancy rates for civilian staff. Savings under other headings were due to cancellation of some premises and accommodation projects and lower transport operations and supplies and services requirements due to economy measures implemented by UNIKOM.

21. The Advisory Committee notes from annex II.B to the report that lower than anticipated expenditures were also due to procurement delays related to the purchase of vehicles; spare parts, repairs and maintenance; and observation equipment and a delay in the installation of planned Kheitan headquarters satellite link.

22. With regard to vacancy rates for civilian staff, the Advisory Committee notes from annex II.A of the

performance report that while the average vacancy rate was 18 per cent for local staff and 20 per cent for international staff, the estimates were based on 15 per cent average for local staff and 5 per cent for international staff.

23. In paragraph 11 of the report, it is indicated that the action to be taken by the General Assembly in connection with the financing of UNIKOM is a decision on the treatment of the unencumbered balance of \$4,127,600 gross (\$3,752,700 net). The Advisory Committee recommends that the unencumbered balance be credited to Member States, it being understood that two thirds of this amount would first be refunded to the Government of Kuwait.

Cost estimates for the period from 1 July 1998 to 30 June 1999

24. The cost of maintaining the Mission for the period from 1 July 1998 to 30 June 1999 is estimated at \$50,611,300 gross (\$48,545,600 net (A/52/824, para. 19). As indicated in the summary of the budget report (A/52/824), this amount represents an increase of 2 per cent in gross terms compared with the resources approved for the preceding 12-month period, from 1 July 1997 to 30 June 1998, of \$49,525,400 gross (\$47,637,200 net), excluding \$1,952,100 for the support account. Two thirds of this amount is to be funded through voluntary contributions from the Government of Kuwait. The Government of Kuwait would also contribute 35 vehicles and 2 trailers for the UNIKOM Engineering Unit valued at \$1,793,789, one vehicle valued at \$26,756 for use by the Force Commander and medical supplies. The recommendation of the Advisory Committee on the estimates for 1998/1999 is contained in paragraph 32 below.

25. The Advisory Committee notes from paragraph 19 of the report that some 40 per cent of the cost estimates relates to standard ratios and 60 per cent covers mission-specific requirements.

26. The cost estimate provides for 195 military observers, 908 troops (775 infantry and 133 support personnel), 72 international civilian staff and 166 local staff (A/52/824, para.9), the same establishment as the one approved for the preceding 12-month period from 1 July 1997 to 30 June 1998, except the number of support personnel which has been increased by five. The Advisory Committee was informed that as at 28 February 1998, there were 193 military observers, 60 international civilian staff and 147 local staff on board.

27. The Advisory Committee notes from paragraphs 14 and 15 of annex II.C that international and local staff costs are based on a 5 per cent vacancy factor. In view of the high

level of vacancies in the Mission (see para. 22 above), it is the view of the Committee that this item is over-budgeted.

28. With regard to rations, the Advisory Committee notes from annex I to document A/52/824 that the overall cost estimate for this item has gone down from \$2.2 million for the period from 1 July 1997 to 30 June 1998 to \$1.7 million for the period from 1 July 1998 to 30 June 1999.

29. The Advisory Committee also notes from paragraph 9 of annex II.C to document A/52/824 that the cost of emplacement, rotation and repatriation of troops is based on a rate of \$1,400 per round trip per person. In this connection, the Committee further notes from annex II.A to document A/52/790/Add.1 and Add.1/Corr.1 that the use of charter flights leads to lower cost. The Committee recommends that the Secretariat continue to use charter flights whenever they are readily available.

30. With regard to vehicles, the Advisory Committee notes from line 8 of annex II.A of document A/52/824 that the vehicle establishment for the period from 1 July 1998 to 30 June 1999 is 422 (390 civilian-pattern and 32 military-pattern), the same as for the preceding 12-month period, from 1 July 1997 to 30 June 1998.

31. In connection with air operations, the Advisory Committee notes from annex I to document A/52/824 that the cost estimate for helicopter operations has increased from \$2,270,600 for the period from 1 July 1997 to 30 June 1998 to \$2,476,300 for the period from 1 July 1998 to 30 June 1999. The Committee also notes from annex II.C that the estimate provides for the hiring of two medium helicopters that will fly a total of 180 hours per month. The Committee notes from the performance report (A/52/790/Add.1 and Add.1/Corr.1, annex II.B, para. 33) that while the estimate for helicopter operations for the period from 1 July 1996 to 30 June 1997 had provided for two medium helicopters to fly 180 hours per month for a total of 2,160 hours, they flew for a total of 2,124.08 hours. Similarly, the AN-24 fixed-wing aircraft was budgeted to fly 100 hours a month for a total of 1,080 hours; it flew for a total of 644.22 hours, considerably less than what had been budgeted for. It is the view of the Committee that there will be savings under air operations.

32. The action to be taken by the General Assembly is proposed in paragraph 27 of document A/52/824. Taking into account its comments and observations in paragraphs 26 to 31 above, the Advisory Committee recommends that the budget for UNIKOM for the period from 1 July 1998 to 30 June 1999 be maintained at its present level, namely \$49,525,400 gross (\$47,637,200 net).